

13 February 1973

MEMORANDUM

SUBJECT: Could The Arabs Be Induced To Compete Among
Themselves In Selling Oil?

Adelman in his article "Is The Oil Shortage Real" alleged that if producing countries were to market crude oil themselves (rather than through the international oil companies) the price of oil would collapse to unprecedented lows as countries competed with one another in an effort to tie up good customers. Our 26 January 1973 memorandum undertook to explain why such competition would not occur spontaneously; it seems equally unlikely that it could be induced.

The forces of demand in the world oil market are currently much stronger than the forces of supply and are likely to become increasingly so in the future. The US, for example, has just raised import quotas for oil, but oil men doubt that the new quotas will be used -- there is no available crude. Severe competition among buyers for scant quantities of oil is a likely eventuality. The only way to stimulate competition among the sellers would involve an increase in the world supply of oil being extracted from the ground. The Arabs are not stupid; those in charge of OPEC make it their business to keep track of developments in the oil market. They have their own sources of commercial intelligence and are quite unlikely to succumb to misleading hints or rumors of unfair competition on the part of their neighbors.

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MEMORANDUM FOR: Mr. Colby

73-756/1

When you read [redacted] memo on the Adelman article you returned a question. This is [redacted] answer. I think she's right. I apologize only for the use of English words on paper but you don't yet have your videophone.

*The humble
student bows -
WFC*

John Huizenga

13 February 73
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

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